
**Financial Institutions &
Insurance Committee**

SSB 6570

Brief Description: Requiring lenders to consider retail installment contracts for the purchase of motor vehicles.

Sponsors: Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Fairley, Benton, Berkey and Honeyford).

Brief Summary of Substitute Bill

- If a retail installment contract for the purchase of a motor vehicle meets the requirements Chapter 63.14 and all applicable federal laws, the retail installment contract must be accepted for consideration by a lender. This does not apply to lenders licensed and regulated under Chapter 31.04 RCW, the Consumer Loan Act.
- Provides that any retail installment contract that meets the requirements of Chapter 63.14 RCW and applicable federal law must be accepted for consideration by lenders.

Hearing Date: 2/21/06

Staff: Jon Hedegard (786-7127).

Background:

Retail installment contracts are regulated by state law. These are transactions between a particular retailer and a consumer, such as a department store or automobile dealer installment contracts. State law generally requires that retail installment contracts provide certain disclosures, describes the contents of an installment contract, and prohibits certain practices related to installment contracts. Federal Truth in Lending Act provisions also apply to retail installment contracts.

If an offer to purchase or lease a vehicle is accepted contingent on securing financing, or on some other factor, the auto dealer must give final acceptance or rejection of the offer within three days (excluding Saturdays, Sundays, and holidays), without further negotiation. This means, for example, an offer made on Tuesday must be accepted or rejected by Friday. If the dealer rejects the agreement, any money, trade-in vehicle, or anything else given as initial payment or security must be returned, and the deal must be called off, before there can be any attempt to reopen negotiations.

Dealers may renegotiate the dollar amount of the trade-in allowance given to a buyer in only two situations: (1) The buyer fails to disclose that the title to the vehicle is branded, because the vehicle is rebuilt or for some other reason, or (2) the vehicle has serious physical damage or a mechanical defect that could not reasonably have been discovered when the offer was accepted.

Failure to adhere to the three-day limit to accept or reject, without renegotiation, an agreement to purchase or lease a motor vehicle is called "bushing". Bushing has been prohibited in statute since 1967, when Washington first specified unlawful practices for motor vehicle dealers.

Dealers typically use the time before the acceptance of an offer to obtain financing for the prospective buyer. In 1967, dealers were given two business days to complete these arrangements. The period was extended to three business days in 1997.

Summary of Bill:

If a retail installment contract for the purchase of a motor vehicle meets the requirements Chapter 63.14 and all applicable federal laws, the retail installment contract must be accepted for consideration by a lender. This does not apply to lenders licensed and regulated under Chapter 31.04 RCW, the Consumer Loan Act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.